

#### Members

Sen. Luke Kenley, Chairperson  
Sen. Brandt Hershman  
Sen. John Broden  
Rep. Peggy Welch  
Rep. Eric Turner

#### Advisors

Sen. Robert Meeks  
Sen. Lindel Hume  
Rep. William Crawford  
Rep. Jeffrey Espich  
John Grew  
Steven Johnson  
Katrina Hall

#### LSA Staff:

Diane Powers, Fiscal Analyst for the Commission  
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Authority: IC 2-5-3-2



## COMMISSION ON STATE TAX AND FINANCING POLICY

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### MEETING MINUTES<sup>1</sup>

**Meeting Date:** October 1, 2007  
**Meeting Time:** 1:00 P.M.  
**Meeting Place:** State House, 200 W. Washington St.,  
Room 404  
**Meeting City:** Indianapolis, Indiana  
**Meeting Number:** 6

**Members Present:** Sen. Luke Kenley, Chairperson; Sen. Brandt Hershman; Rep. Peggy Welch; Rep. Eric Turner; Sen. Robert Meeks; Sen. Lindel Hume; Rep. William Crawford; Rep. Jeffrey Espich; John Grew; Steven Johnson; Katrina Hall.

**Members Absent:** Sen. John Broden.

#### **I. Call to Order.**

Sen. Luke Kenley, chairperson, called the meeting to order at 1:08 P.M. The chair announced the distribution of two items to the Commission members. The first item (Exhibit A) was a letter from Rep. Cleo Duncan proposing passage of legislation that would allow school systems to explore using public-private partnerships for construction projects. The second item (Exhibit B) was an assessment system consolidation plan submitted by Becky Williams, President of Indiana's Assessor's Association. There was also distribution of testimony submitted to the Commission's website at [propertytaxreform.in.gov](http://propertytaxreform.in.gov) (Exhibit C) and testimony forwarded from the Indiana Commission on Local Government Reform (Exhibit D).

The Chair then urged the Commission members to begin formulating their recommendations to present to the Legislative Council. Sen. Kenley explained that many of the items discussed by the Commission throughout this interim deserve full public hearings conducted by the full General Assembly, but that some of the more non-controversial items may be addressed during

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<sup>1</sup> Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

the General Assembly's Organization day.

## **II. Sales Disclosure Statements.**

Sen. Kenley recognized Barry Wood from the Assessment Division of the Department of State Revenue (DOR) to discuss current sales disclosure statement filing and processing methods. Sen. Kenley stated that the goal is to have a uniform methodology at the local level for filing and processing these statements (a copy of the statement was distributed Exhibit E).

Mr. Wood gave a brief description of the method of filing and processing the statements and then addressed questions from Commission members. The items discussed by the Commission with Mr. Wood included the following:

- incomplete and false filings;
- failure to file statements in some cases;
- the severity of the problem in filing statements for residential sales;
- the percentage of statements which are incorrectly filed;
- validation of sales disclosure statements
- denial of assessment certification if disclosure statements are not corrected; and
- data compliance efforts by the Department of Local Government Finance (DLGF).

Sen. Kenley next introduced John Carr, an attorney representing the probate and real property section of the Indiana State Bar Association (ISBA), to testify. Mr. Carr distributed a chart comparing deed recording processes in each county (Exhibit F). He then discussed the problems arising when incorrect sales disclosure statement delay closings and recordings of property interests. Mr. Carr explained that the ISBA was concerned that there could be legal consequences in delaying recordings and not perfecting transfers, including not making the deadline for filing the homestead deduction. Mr. Carr said the ISBA suggests changing the sales disclosure system to require: (1) people filing these statements somewhere other than the county assessor's office; and (2) a penalty fee to be charged for incorrect statements.

The Chair then recognized Carol Maynard, Hancock County Assessor, and Judy Sharp, Monroe County Assessor, to testify on the filing of sales disclosure statements. The Commission discussed the following issues with Ms. Maynard and Ms. Sharp:

- the time it takes to file these statements in their respective offices;
- electronic filing of these statements;
- the large percentage of these filing being done by title companies and banks;
- verification of these statements;
- matching the legal description on the statements with the property card; and
- compiling electronic data from these statements and submitting the data to the state.

Dan Rohaley, President of the Indiana Land Title Association, was recognized to testify. Mr. Rohaley said that many problems faced in filing sales disclosure statements were not due to substantive problems on the form, but were mostly of a more technical nature. He advocated for a uniform methodology for filing these statements to be used in every county. Mr. Rohaley explained that interest money is lost in delaying transactions even one day due to problems in filing these statements. He also stated that title companies are providing the forms for filing the homestead deduction, but in most counties the title company is prohibited from filing these forms on behalf of the owner.

Sen. Kenley then recognized Greg Bowes, Marion County Assessor, to testify. Mr. Bowes suggested certain legislative change that may help the filing of sales disclosure statements. He discussed the following:

- allowing electronic signatures;
- requiring electronic filings
- allowing a vendor of an electronic filing system to collect \$5 for services; and
- capturing foreclosure sales to use in trending, not actual foreclosure, but sale by bank back on the market.

### **III. Lake County Local Option Income Tax (LOIT).**

Sen. Kenley next allowed members of Lake County government to testify concerning issues in Lake County related to LOIT. The following people testified from Lake County:

- Rick Cockrum, Lake County Government Relations;
- Elsie Brown-Franklin, Lake County Council;
- Roosevelt Allen, Lake County Commissioner;
- Dante Rondelli, Administrative Financial Director, Lake County Council; and
- Larry Blanchard, Lake County Council.

The group distributed a packet of Lake County financial materials (Exhibit G) to go along with a study from Crow Chizek LLC entitled "Analysis of LOIT Options" which was previously distributed to the Commission (Exhibit H). The Commission discussed the following issues with the group from Lake County:

- the 16 resolutions passed in Lake County against the LOIT options in HEA 1478-2007;
- the reasoning behind the resistance in Lake County to adopt a LOIT to provide property tax relief;
- the need for Lake County government to work together;
- the amount of the reduction in property taxes that could be provided by the LOIT options available after passage of HEA 1478-2007;
- the tax burden placed on the steel mills still present in Lake County;
- the tax burden on homeowners in Lake County; and
- the assessment of the steel mills and the land they sit on.

Sen. Kenley next recognized Joseph Wszolek, Vice President of the Highland Town Council, Lake County, to testify concerning the LOIT in Lake County. Mr. Wszolek testified that the Highland Town Council did not want to adopt the LOIT option from HEA 1478-2007. He said the Council feels that the redistribution of the LOIT that would be collected in Highland would reward the parts of Lake County which were more reliant on property taxes. He explained that Highland currently has the lowest property tax in Lake County. Mr. Wszolek also distributed a resolution adopted by the Highland Town Council concerning the LOIT (Exhibit I).

### **IV. State Assumption of School General Fund and Child Welfare Costs.**

Sen. Kenley introduced Dan Novreske, Senate Majority Fiscal Analyst, to present issues concerning state assumption of school general fund and child welfare costs.

Mr. Novreske gave a presentation to the Commission, and explained that this was merely an illustrative presentation and not a recommendation (Exhibit J). The Commission discussed the following issues with Mr. Novreske:

- the difference between urban and rural counties welfare costs and school general fund costs;
- the difference in picking up specific levies versus increasing property tax replacement credits;
- shifts in taxpayer burdens due to state assumption of these costs; and

- the effect on tax burdens by local unit spending even after state assumption of these costs.

The Chair then recognized Judge James Payne, Director of the Department of Child Services (DCS), to testify on the issue concerning state assumption of child welfare costs. Judge Payne gave a brief history of child welfare funding and services. The Commission discussed the following topics with Judge Payne:

- state assumption decision making on services along with the costs;
- creating regional offices of the DCS;
- maintaining local input in service decisions;
- the recent increases in family and children funding;
- issues concerning control by local juvenile judges in making service decisions;
- the 50% county contribution required for juvenile offenders sent to the Department of Correction; and
- the possible benefits to centralization of funding and services.

Sen. Kenley next introduced Judge Lynn Murray, President of the Indiana Council of Juvenile and Family Court Judges, and Judge Charles Pratt, Family Division of the Allen County Superior Court to testify. Both Judges testified that they would like to preserve local input in the process for deciding services for children. The Judges both recommended keeping the delinquent children and children in need of services (CHINS) funding together. These Judges also explained the procedural requirements that must be met before a service recommendation is met.

The Chair then allowed David Bottorf, Association of Indiana Counties, to testify concerning state assumption of school general fund costs. Mr. Bottorf distributed a packet containing each county's Family and Children Fund levies and per capita expenditures, as well as a chart estimating the impact on homestead property taxes from state assumption of school general fund and welfare levies (Exhibit K). Mr. Bottorf testified that his association is in favor of state assumption of certain levies. He also discussed the difference between urban and rural counties and the assumption of the welfare levy versus the school general fund levy.

Cathy Graham, Executive Director of IARCCA an Association of Children and Family Services, was recognized by the Chair to testify. Ms. Graham submitted her testimony in writing as well as other information to the Commission concerning state assumption of child welfare costs (Exhibit L). Ms. Graham introduced two providers to speak to the Commission; (1) Sharon Pierce, Chief Executive Officer (CEO) of the Villages of Indiana; and (2) Dee Gibson, CEO of White's Residential & Family Services. The providers both advocated for the need to keep local control over child service decisions, therefore they were against state assumption of child welfare costs without provisions specifically keeping local control.

Dennis Costerison, Executive Director of the Indiana Association of School Business Officials, was recognized to testify. Mr. Costerison distributed a position paper on elimination of the school general fund property tax levy to the Commission (Exhibit M). He also discussed the following issues with the Commission:

- the benefit of state assumption of these costs to allow schools to avoid cash flow borrowing;
- possible adjustment to the student count date for schools;
- the need for a separate k-12 rainy day fund if the this levy is assumed by the state;
- the possibility that if payment delays are used by the state after assumption of this levy then borrowing will increase;
- changing the way new facility costs are dealt with;

- changing the license excise tax formula as based on property tax levies; and
- simplification of the school formula due to state assumption of this levy.

Sen. Kenley then recognized Dan Clark, representing the Indiana State Teachers Association, to testify. Mr. Clark testified that the other school funds that rely on property taxes total a larger amount than the school general fund, and proposed that any solution to the property tax problem may need to involve those funds as well.

#### V. Other Business & Adjournment.

The Chair recognized Aaron Smith from Watchdog Indiana to testify. Mr. Smith distributed a plan for property tax relief (Exhibit N), and briefly highlighted the plan for the Commission.

Sen. Kenley adjourned the meeting at 6:35 P.M.